LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7334
BILL NUMBER: HB 1882

DATE PREPARED: Mar 3, 1999
BILL AMENDED: Mar 1, 1999

SUBJECT: Oil rerefining tax credit.

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FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides a property tax credit for rerefined lubrication oil facilities. The bill provides that a taxpayer must request the Department of Commerce to determine if the taxpayer is entitled to the credit.

Effective Date: (Amended) January 1, 2000.

Explanation of State Expenditures: (Revised) The Department of Commerce must determined if a taxpayer is entitled to this credit. This may increase their administrative costs by a minimal amount.

Explanation of State Revenues: (Revised) According to this proposal, a taxpayer who owns a facility that processes re-refined lubrication oil would be entitled to a refundable credit against the owner's state tax liability. The credit would be equal to 80% of the property tax paid by the taxpayer on (1) real property on which a re-refinery is located and (2) personal property used in the processing and transportation of re-refined lubrication oil. This credit is applicable to tax years beginning January 1, 2000 and will affect revenue collections beginning in FY 2001.

Currently, at least one taxpayer would qualify for the credit. The property taxes paid by this taxpayer are estimated at $859,000 in CY 2000. This taxpayer experienced a significant increase in their property taxes is due to the phase out of the Resource Recovery Property Tax Credit. This tax credit (80% of the property tax) is estimated at $687,000 in FY 2001. However this tax credit is not refundable and would be limited to the taxpayer’s income tax liability which could be less than the allowable amount.

It is possible that additional unknown taxpayers either currently qualify for this tax credit or will in the future creating an indeterminable impact on future tax collections. All credits would have to be approved by the Department of Commerce.

The credit may be applied to corporate gross, adjusted gross income, supplemental net income tax, insurance premiums, financial institutions tax and sales tax. These taxes are deposited in the General Fund and the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues would not be affected by this proposal.

State Agencies Affected: Department of Revenue; Department of Commerce.

Local Agencies Affected:

Information Sources: Jim Gutting, Barnes and Thornburg (638-1313).